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**ACME**  
**WATER COMPANY**

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AZ CORP COMMISSION  
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**ORIGINAL**

April 18, 2014

Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 8507

Arizona Corporation Commission

**DOCKETED**

APR 18 2014

Re: Response to Formal Complaint  
Docket Nos. W-02369A-14-0051  
W-20809A-14-0051

DOCKETED BY

Acme Water Company (ACME) has received and reviewed the Formal Complaint filed by Walden Meadows Community Cooperative (Walden Meadows).

Respondent ACME admits to the allegations in Paragraphs 1 through 11; 18 and 20.

Respondent ACME lacks the knowledge to admit or deny the allegations in Paragraphs 12 through 17; 19 and 21.

ACME has been reliant on Walden Meadows to provide sufficient water to its customers and has repeatedly expressed its gratitude to Walden Meadows for their cooperation in providing water that has not been produced by the ACME's own wells.

After the hard freeze in January 2013, ACME expended considerable resources to repair several leaks that were indentified at that time. However, the leaks that were repaired did not staunch the need to purchase significantly more water from Walden Meadows than was metered by the company's customers.

ACME contracted with 3 different leak detection companies over several months in an effort to identify and correct the apparent leaks. Each of these efforts failed to identify the source of the issue.

In addition, the Company has conducted several experiments suggested by its Certified Operator in an attempt to identify the source of the issue; these efforts were also to no avail.

During the months following the hard freeze, the Company identified and repaired more than a dozen leaks and replaced one of the main valves. However, all of the leaks identified and repaired were service line issues and not distribution line problems. I have personally walked the entire distribution line system on several occasions in an effort to visually identify any sign of ground moisture or unusual vegetation than might indicate a water leak. A couple of potential areas were identified and examined, but were ultimately determined to be minor service line leaks or other issues not associated with the distribution system.

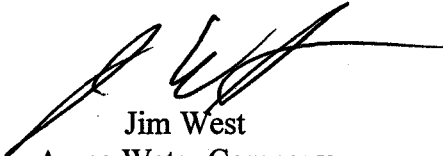
As we have monitored the water use of several months, an unusual pattern (or lack of pattern) has emerged. According to the Company's Certified Operator and other water professionals the Company has consulted, the amount of water loss from a distribution line leak or leaks would increase over time and would not remain constant or reduce in volume. This has not been borne out by the water needed to be purchased from Walden Meadows.

In January of this year, the Company purchased approximately 1,349,000 million gallons from Walden Meadows. However, in March, only 771,000 were purchased, even though the water metered by customers showed a slight increase. According to the Company's Certified Operator, this anomaly points to a potential theft of water or something other than a distribution line leak.

Notwithstanding the source of the water loss, the Company is taking additional steps to identify and correct the problem. The Company has applied to the Arizona Department of Environmental Quality for a thorough examination of the Thunderbird Meadows structure through ADEQ's system evaluation program and is in the queue.

Based on the results of that evaluation, the Company will have a thorough understanding of what is required to identify and correct the water loss issue and will submit to the Commission an application for emergency rate relief to fund the corrective actions required and to repay Walden Meadows for the water purchased.

Respectfully Submitted,



Jim West  
Acme Water Company